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UNCLAS SECTION 01 OF 02 COLOMBO 000753

SENSITIVE
SIPDIS

STATE FOR SCA/INS AND DRL/IL FOR TU DANG
STATE AND GENEVA PLEASE PASS TO USTR
DOL/ILAB FOR TINA MCCARTER
MCC FOR S GROFF, D NASSIRY AND E BURKE

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SUBJECT: SRI LANKA: GSL WEAKENS CORRUPTION OVERSIGHT BY APPOINTING
MINISTERS TO HEAD PARLIAMENTARY OVERSIGHT COMMITTEES

REF: A) Colombo 730
B) 07 Colombo 1464
C) 07 Colombo 1232
D) 07 Colombo 779

¶1. (SBU) Summary: In a move that is likely to encourage further government corruption, chairmanships of Sri Lanka's parliamentary Public Accounts Committee (PAC) and the Committee on Public Enterprises (COPE) were recently awarded to government ministers. These committees have been traditionally chaired by opposition parliamentarians to ensure accountability of government financial matters. The appointments mark a further retreat in efforts to reduce corruption. Paragraph 9 contains recommendations for the US executive directors on the boards of the World Bank and IBRD to help reduce corruption in Sri Lanka. End Summary.

Government "Watching" Itself

¶2. (U) On July 23, the Government used its Parliamentary majority to elect two cabinet ministers to head parliament's most important oversight committees, the Committee on Public Enterprises (COPE) and the Committee on Public Accounts (PAC). Power and Energy Minister W.D.J. Seneviratne was appointed to head the COPE and Media Minister A.P. Yapa to head the PAC. These two committees were reconstituted in June 2008 after the President pro-rogued Parliament in May 2008, which led to the automatic dissolution of all Parliamentary committees. With the government's majority in parliament, it was possible - and easy -- to install pro-government chairmen.

¶3. (SBU) These appointments, however, have been severely criticized. The primary function of COPE and PAC is to exercise supervision of public funds used by government ministries and public enterprises. It is customary for opposition or independent parliamentarians to chair the committees to ensure accountability in government financial matters. Indeed, the previous COPE was led by Parliamentarian Wijedasa Rajapaksa (no relation to the President), who was named man of the year by a leading business magazine for his efforts to expose corruption. Under his leadership, COPE presented two damning reports that detailed corruption throughout the government. Unfortunately, the government - although embarrassed -- took little action. Frustrated with government inaction, the opposition did not even propose a candidate to chair COPE, and

opposition members serving in PAC walked out before the vote for its chairman.

¶4. (SBU) The appointment of Seneviratne as COPE Chairman is a conflict of interest. In its last report to Parliament in 2007, the former COPE cited the Ceylon Electricity Board as one of the institutions with most number of allegations of financial irregularity. Seneviratne oversees the Ceylon Electricity Board (CEB) as Minister of Power. Any investigation into corruption and mismanagement of funds at CEB is therefore unlikely; as a result, public confidence in COPE will further diminish.

¶5. (SBU) Likewise, Yapa's appointment to head PAC reflects a conflict of interest. In a meeting on August 12 with Ambassador, Wijedasa Rajapaksa criticized Yapa's appointment, noting that many of the most corrupt state institutions are under his Ministry, including the Independent Television Network, the Rupavahini Corporation and Lakehouse, both of which oversee significant television and print media empires.

NGOs and Opposition Criticize Appointments

¶6. (U) The Sri Lanka branch of Transparency International (TISL), which advocated against the appointment of ministers, issued a statement condemning the election of ministers to chair the committees. TISL stated that it was an "intentional undemocratic move to weaken legislative scrutiny so that the irregular financial expenditure by the Executive would continue unabated." TISL urged parliament to re-consider the decision and has called upon the two

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Ministers to step down. To date neither has.

¶7. (U) General Secretary of the main opposition United National Party (UNP), Tissa Attanayake, told news papers that the intention of the government was to cripple the investigations of the two committees. The UNP is threatening to boycott these committees.

Former Watchdog Pessimistic

¶8. (SBU) Ambassador asked former COPE Committee Chair Rajapaksa for his views on the way forward in combating corruption in Sri Lanka now that the COPE and PAC have been defanged. Rajapaksa gloomily assessed that Parliament and its oversight committees "can't do anything" because of the control exercised by the ruling party and its allies. He predicted the SLFP will continue to block not only new inquiries into corruption, but also action to prosecute those named in previous COPE and PAC reports. For example, he noted with regret that the Government had blocked his efforts to create a COPE website to publicize its activities and reports and printed just one copy of the COPE report to prevent any circulation. Rajapaksa said the problem is compounded by the weakness of the opposition, which has largely failed to pressure the Government to do more on corruption.

What Should the USG Do?

¶9. (SBU): Embassy will continue to work with Transparency International and other local groups to speak out about the importance of the Government addressing corruption. We will also continue to ensure that no AID or other USG money goes directly to the Government where it might be diverted or misused. Beyond that, we recommend that Washington agencies and the US executive directors on the boards of the World Bank and IBRD:

- Pressure the IBRD and ADB to engage the Government on corruption and ensure there are very strict auditing guidelines to ensure Bank money is not mis-spent.
- Urge that the Government allow passage of the Right to Information

Law, modeled on India's successful legislation, to give citizens the right to petition the central and local governments for details of how money is being spent.

- Urge that the Government replace the Chairmen of the COPE and PAC committees with independent Members of Parliament so that COPE and PAC can be empowered to perform their mandated roles.

BLAKE